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*** Media Advisory ***
Wednesday Morning Press Conference

Amtrak Contracts With Private Law Offices Focus Of Investigation

**Inspector General's Report Outlines Serious Problems,
Lack Of Oversight & Excessive Charges In Awarding
Of Millions of Dollars In Legal Contracts**

Washington, D.C. – The results of a lengthy ongoing federal investigation into allegations of questionable spending practices and the lack of oversight by the Amtrak Legal Department over the private sector law firms it uses will be released at a Wednesday morning press conference.

The report is the product of a joint investigation by the Amtrak Office of the Inspector General and the U.S. Department of Transportation Office of the Inspector General into Amtrak's legal department activities.

Amtrak receives approximately \$1 billion dollars each year from the federal government, of which it is estimated the Amtrak Law Department spends approximately \$150 million in annual legal and settlements expenses.

Such a high percentage of legal costs in comparison to Amtrak's overall budget has raised serious questions about the appropriateness of Amtrak's legal spending practices.

The investigation was requested by **U.S. Rep. John Mica (R-FL)**, a senior Member of the **Transportation and Infrastructure Committee**, and **U.S. Rep. Don Young (R-Alaska)**, the **Chairman of the Transportation and Infrastructure Committee**.

Time: 10 a.m., Wednesday, October 25th

**Location: 2167 Rayburn House Office Building
Washington, D.C.**

Participants:

- U.S. Rep. John Mica (R-FL)**
- D. Hamilton Peterson, Deputy Counsel - Director of Special Investigations, Office of Inspector General, National Railroad Passenger Corporation (Amtrak)**

Investigations Into Amtrak's Operations

Since 2004, the House Transportation Committee has been conducting oversight investigations concerning Amtrak operations in coordination with the Government Accountability Office (GAO), the Amtrak Office of Inspector General, and the Department of Transportation Office of Inspector General.

During this period, a broad range of issues have been evaluated (see below), with the recent focus being on the operations of the Amtrak Law Department. Specifically, issues have been raised about the extent to which:

- The Amtrak Law Department has followed its own established rules and procedures for managing outside counsel;
- Whether the relationships with outside counsel have been truly arms length;
- Whether the Amtrak Law Department documents and maintains complete records of its activities;
- Whether legal service contracts are managed properly to protect the interests of both Amtrak and U.S. taxpayers;
- And whether the Amtrak Law Department has prudently overseen and spent the taxpayer funds Amtrak receives from the federal government each year.

Chairmen Young and Mica requested that both the Amtrak Inspector General's Office and the DOT's Inspector General's Office jointly investigate the procedures and expenditures by the Amtrak Law Office, with an emphasis on the top 10 law firms paid by Amtrak in recent years.

Summary Of Prior Investigations By The Amtrak Inspector General

1) Massive Financial Losses In Amtrak's Food & Beverage Operations

The Amtrak Inspector General audited the performance under the contract and found that:

- Food and beverage operations were losing \$83 million per year;
- Amtrak was losing \$2 for every \$1 it received.

In addition, the GAO found that:

- Amtrak management exercised very little oversight of the Gate Gourmet contract;
- Amtrak did not enforce the contractual requirement that annual reports be filed.

2) Lack Of Quality Control Management & Financial Oversight at Amtrak's Mechanical Department

The Amtrak IG's Mechanical Report found that:

- Amtrak's Mechanical Department (AMD) did not maintain adequate information to allow the company to properly keep track of its maintenance costs;
- AMD did not prioritize its maintenance expenditures based on ensuring the greatest reliability of its fleet;
- AMD had virtually no quality control management system;
- Cost data was so inaccurate, misleading, and inefficient that it lead to waste, fraud and abuse in the course of Amtrak procuring goods and services.

3) Theft By Amtrak Personnel

More than 200 employees have been removed because of financial irregularities and theft against Amtrak. In the period from January 1, 2005 to September 2005, the Amtrak IG's office referred 22 cases for civil or criminal prosecution.

**For additional information, access the Transportation & Infrastructure Committee website at:
www.house.gov/transportation**

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